

ATI cargo pilots give union power to call a strike

Airline's major customers include Amazon, DHL Express

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Tuesday, November 14, 2023



Air Transport International pilots picket outside the Nasdaq exchange on Sept. 27 where parent company Air Transport Services Group held a day-long briefing for investors. (Photo: Air Line Pilots Association)

Pilots at Air Transport International, a cargo airline owned by Air Transport Services Group that provides airlift to Amazon and DHL Express, have authorized union leaders to call a strike over stalled labor talks once such action becomes permissible under federal law.

The Air Line Pilots Association (ALPA) said Tuesday that 99.7% of union members voted in favor of strike authorization, with nearly all of Air Transport International's (ATI) 540 pilots participating.

Management and the union have been negotiating a new contract for 3.5 years and the talks are now being mediated by the U.S. government.

A strike authorization is a signal to the company that the pilots are serious and ready to walk off the job, especially when it has overwhelming support.

No labor action against the ATI is imminent. The company hauls packages for Amazon, provides supplemental airlift to UPS and supports U.S. military missions, in addition to offering charter service to logistics companies and other customers.

Under federal rules designed to prevent work interruptions in critical interstate commerce, workers are prohibited from striking and companies from locking out workers until a lengthy series of bargaining steps, including federal mediation, are completed.

The federal mediator has the power to hold the parties in mediation indefinitely. Federal mediation has been underway since late March.

If no progress is made, the National Mediation Board (NMB) at some point may release the union to a 30-day cooling-off period, during which negotiations can still take place but no strike or lockout can occur.

If the NMB determines the parties have reached an impasse, it can propose that the remaining issues be sent to a special panel for binding arbitration. Arbitration in the airline industry is rare because both sides must agree to it.

The law allows the president to create an emergency board to investigate a labor dispute and issue a report within 30 days if the parties reject binding arbitration. That is followed by another 30-day period to consider the board's recommendations and reach an agreement. If no agreement is

reached at the end of the cooling-off period, the parties may take action, such as a strike or lockout.

Pilots are seeking a contract that improves pay, retirement and work rules. U.S. passenger airlines American, Delta, United and Hawaiian have agreed to new contracts that raise pilot pay as much as 35% to 40% over four years.

"Today, ATJ pilots sent a clear, unified message to management that we are willing to go the distance to secure a new contract," said Capt. Mike Sterling, chair of the ATJ ALPA Master Executive Council. "Now is the time for ATJ to deliver a new contract that reflects the value we bring to the airline as highly skilled professionals. Our goal is to reach an agreement, not to strike. The ball is in management's court, and it's time for them to get serious at the bargaining table and invest in our pilots."

ALPA claims 220 pilots, more than a third of the pilot base, have defected to other carriers for better work conditions so far this year. A quarter of the pilots left last year. In late September, it said ATJ was unable to fill captain vacancies for the third consecutive month. Many passenger airlines are offering large signing bonuses to lure pilots from other employers. The attrition rate at ATJ is far higher than at other airlines, according to ALPA.

"At the end of the day, you've got to have a contract that works for both sides. So if you've got the union side asking for FedEx or UPS wages or industry-leading, and that's not in the cards from what we get from our customers, then that's just not something we can agree to," said Joe Hete, CEO of Air Transport Services Group (NASDAQ: [ATSG](#)), during last week's earnings briefing. "So the key is finding a happy middle ground between their demands and our needs to keep things on the rails."

Management said last summer that it doesn't expect to reach a labor deal in 2023.

Hete was reinstated last week as CEO after ATSG's board fired Rich Corrado because the company's stock has underperformed the market and airline sectors for a long period of time. The company has taken lower revenues and profits this year, as has the rest of the industry, because demand has contracted from the heyday of the pandemic.

Shareholders appear unable to benchmark ATSG against peers because it is not a pure cargo airline. The company is the largest lessor of freighter aircraft in the world and operates two cargo airlines that predominantly operate under long-term, fixed-price contracts for e-commerce and express delivery companies that require daily scheduled service. Other business units carry out aircraft maintenance, freighter conversions and airport logistical services.

[ATSG reported third-quarter revenues increased 1% to \\$523 million year over year](#). Adjusted earnings before interest, taxes, depreciation and amortization were \$137 million, 16% below the third quarter of 2022.

ATSG last year generated a record \$2 billion in revenue and adjusted profits before accounting measures of \$641 million, an 18% increase from 2021. The pilots made their demands before the industry realized the extent of the market downturn.

A new pilot contract is expected to increase costs at a time when the company's income stream is declining. But attrition is also costly because ATI has to hire new pilots and train them for several months, during which time they are not flying aircraft that generate revenue.